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Vanguard Investment Stewardship Insights

# Updated executive pay plans at Barclays PLC

August 2025

**Company:** Barclays PLC (Barclays)

**Meeting date:** May 7, 2025

**Proposal(s):** Item 3: To approve the proposed new Directors' Remuneration Policy (DRP); Item 4: To approve the amendment of the Barclays Long Term Incentive Plan (LTIP) rules that is required to fully implement the new DRP.

## How the funds voted

At the 2025 annual meeting of Barclays, a U.K.-listed universal bank, the Vanguard-advised funds voted in support of the DRP and LTIP.[1]

## The funds' proxy voting policies

As articulated in the funds' proxy voting policies, on behalf of the funds, we evaluate remuneration plans on a case-by-case basis, taking into consideration the facts and circumstances at the company in question. Remuneration policies linked to long-term relative performance are fundamental drivers of sustainable, long-term returns for a company's investors. Providing effective disclosure of remuneration policies, their alignment with company performance, and their outcomes is crucial to giving shareholders confidence in the link between executives' incentives and rewards and the creation of long-term shareholder returns. We do not believe there is a one-size-fits-all approach to executive remuneration, as the norms and practices for executive remuneration vary by industry type, company size, company maturity, and region.

The funds' considerations when evaluating executive pay fall into three broad categories:

**Alignment of pay and performance.** The funds look for evidence of clear alignment between pay outcomes and company performance. This is mainly assessed through alignment of executive incentive targets set by the board with corporate strategy and analysis of three-year total shareholder returns and realized pay over the same period versus a relevant set of peer companies disclosed by the company. If there are concerns that pay and performance are not aligned, the funds may vote against a pay-related proposal.

**Pay plan structure.** Plan structures should be aligned with the company's stated long-term strategy and should support pay-for-performance alignment. Where the funds have determined that a plan's structure has led to, or could in the future lead to, pay-for-performance misalignment, a fund may vote against a pay-related proposal. For remuneration structures that are not typical

1 Vanguard's Investment Stewardship program is responsible for proxy voting and engagement on behalf of the quantitative and index equity portfolios advised by Vanguard (together, "Vanguard-advised funds"). Vanguard's externally managed portfolios are managed by unaffiliated third-party investment advisors, and proxy voting and engagement for those portfolios are conducted by their respective advisors. As such, throughout this document, "we" refers to Vanguard's Investment Stewardship program and "the funds" refers to Vanguard-advised funds.

of a market, the funds look for specific disclosure demonstrating how the structure supports long-term returns for shareholders.

**Governance of pay plans.** The funds look for boards to have a clear philosophy on executive pay and to utilize robust processes to evaluate and evolve executive pay plans. The funds also look for boards to explain these matters to shareholders via company disclosures. Where pay-related proposals consistently receive low support from shareholders, the funds look for boards to demonstrate consideration of shareholder concerns.

## Analysis and voting rationale

The funds supported the DRP proposal and Barclays LTIP (together, the "policy"), which contained changes that reflected updated regulatory requirements regarding the removal of the bankers' bonus caps. The caps previously restricted European bankers' bonuses from exceeding twice their base salaries. The policy proposed by Barclays at the 2025 annual meeting introduced significant changes to the pay structure for the CEO and the CFO. These included a shift to a more variable incentive-based structure by halving directors' fixed pay and increasing the proportion of variable incentives. The company disclosed that these changes would better align Barclays' pay practices with those of its international peers.

We were invited to engage with company directors to better understand Barclays' decision-making process and rationale for the proposed changes to the policy. Company directors shared the board's rationale behind the changes, which included simplification of executive pay structures to align rewards more closely with company performance and shareholder returns. The bank also stated in its annual report that it wanted to remain competitive with leading U.S. investment banks and avoid pay compression between the CEO and other senior executives at the firm. Barclays had already lifted this cap for material risk-takers in 2024 with the approval of its shareholders. It allowed bonuses of up to 10 times an individual's salary, which subsequently resulted in pay compression between some key staff members and the CEO.

We assessed the company's public disclosures regarding the alignment of executive pay and company performance and had no concerns. We also observed a strong focus on future alignment of executive pay and company performance through the use of robust financial and nonfinancial metrics. Structurally, the new policy placed a stronger emphasis on variable pay by lowering the base salary and increasing variable pay opportunities. The overall increase in maximum remuneration opportunity disclosed by the company was benchmarked against a company-selected peer group of international banks. We noted that five of 11 firms in the peer group were U.S.-based, reflecting Barclays' large U.S. operations and key competitors for market share and talent. The resulting pay levels remained comparable to other companies in the FTSE 100.

Upon completion of our analysis, the funds supported the updated policy.

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